Investment Proposal Supporting Information / Transformation Fund Bid

Bid Title	**Financing the Energy Investment Unit (EIU)**
Service Area / Directorate	**Energy Investment Unit, Environment and Commercial Services, Place and Economy**
Sponsoring Director	**Chris Malyon/Graham Hughes**

Brief Description of Bid	**£989,000 is sought to help finance the EIU until March 2022. This funding will provide greater operational flexibility to the Unit and support it to deliver three strategic transformations including:**
	• **£100,000,000 net income for the Council by 2040 through income generation from the current large energy projects approved with development budgets.**
	• **Shifting rural communities from fossil fuel heating onto low carbon alternatives. This will benefit our communities financially over the lifetime of a heating system saving households and communities money that can be spent locally in our economy**
	• **Support the 'tripling in capacity of the local electricity network' to unlock growth and shape a smart energy system. This will contribute towards the doubling of gross value added (GVA) by 2040 as identified in the Devolution Deal for Cambridgeshire and Peterborough, whilst supporting businesses and our communities.**
	The investment is detailed below.

Item	Funding required
EIU mobilisation for school schemes, energy projects and investment deficit	£374,000
Large Energy investment projects deficit to date	£40,000
Future anticipated revenue costs of project development to March 2022	£300,000
Contingency for aborted capital schemes	£200,000
Developing a programme of community energy projects	£50,000
Shaping the strategic energy agenda for sustainable growth	£25,000
Total funding required	**£989,000**

The funding being sought for the EIU budget is the same value as that currently provided by the staff costs approved for individual development project budgets but the linkages would not exist. This allows flexibility to support other aspects of the EIU work,

<table>
<tr><td></td><td>such as community projects and influencing the strategic direction of energy policy, should projects be delayed or changed.

If the use of the Transformation Fund is approved, the parts of the existing development cost budgets relating to EIU funding will be cancelled as this would no longer be needed. The financial projections show that the net effect of providing the Transformation funding and cancelling the existing development cost budgets would be to bring the EIU into financial equilibrium in 2021/22, i.e. having repaid the existing deficit.</td></tr>
</table>

Type of Bid	Request to fund the EIU until March 2022 using the Transformation Fund

Strategic Links	Developing the local economy for the benefit of all: Through the work of the EIU, a return on investment will generate significant income over time which can support the overall Business Plan and offset annual saving requirements.

Cash Flow	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000
Revenue Advance	541	224	224			
Capital Advance						
Repayment	-164	-193	-1,154	-1,109	-952	-1,209

Pay Back Period in Years	2.55 years
Savings/Investment Ratio over 10 Years	13 : 1

Measure of Performance Improvement	Baseline	15/16	16/17	17/18	18/19	19/20
	N/A					

Risks and Contingencies	**The key risk to delivery is the volatility of the energy market.** The energy market is subject to many influences including regulatory change, testing of new business models and trialling new technologies. Battery storage is a key technology for the future smart energy system but recent changes to finance contracts do not reflect its importance. This is creating some uncertainty for investors as it is difficult to estimate revenues at this moment.

	Included in the bid is a £200k contingency. This is to cover development costs on projects which do not proceed to investment but have incurred costs. For example, there was uncertainty as to whether Trumpington Park and Ride could progress as a smart grid project during 2018 and its future was subject to public consultation. If this does not proceed, the costs on project development have been incurred.

Decision and Date	